**Killing cash cows**

BY S A R A H N I Z A M A N I 2021-07-15

FATIMA Hussain is a young woman with a promising future. The 22-year-old lost her teaching job because of school closures caused by the pandemic. With the pandemic, her options to find new work were few, until recently. About a year ago, Fatima discovered freelancing. With her basic graphic designing skills, she started designing logos and page layouts for low-budget websites. Several free courses and YouTube tutorials helped her to improve her skills and she is now back to earning this time in dollars. With the ability to choose her timings and workload she can continue her education and pay her bills.  
  
Fatima`s tale is one of the many stories of Pakistan`s self-employed youth. With 68 per cent of the population under 30, Pakistan is a youth-rich country. But, for economic growth, youth numbers is not enough. The lack of opportunities for youth is reflected in the high graduate unemployment rate, which was about 17pc in 2019. Often highlighted by the eminent scholar Hafiz Pasha, the number of idle drifters in the country is high about 21 million are neither employed nor studying. Yet, there is a ray of hope. Despite the anti-tech culture and poor infrastructure, there is evidence that Pakistani youngsters do remarkably well at freelancing.  
  
In a recently published report by Payoneer, a global payment platform, Pakistan was ranked fourth in the freelancers` market, well above India and Bangladesh. Despite Covid-19, Pakistani freelancers earned $150m in FY2019-20 (The same year mango exports earned $104m despite multiple subsidies). This feat was achieved despite Pakistan`s ranking in the bottom quartile in the Inclusive Internet Index 2021, published by the Economist Intelligence Unit. There is still no PayPal, proper working spaces or labour rights. The latest Household Integrated Economic Survey reports device ownership as low as 7.4pc for desktops and 6.2pc for laptops in households. The youngsters (mostly women) are making the best of their limited resources in an opportunity-deficient country. Instead of the government recognising their efforts and solving their problems, freelancers face a new hurdle.  
  
Recently, the FBR detected Rs60.308 billion untaxed foreign income disbursements to 75,615 individuals earned through freelance consultancies, which they are now eager to tax. However, the authorities hardly understand its consequences. In brief, these individuals (due to their access to services like PayPal/Payoneer) receive work and outsource it to individuals with expertise, with a major chunk of payment staying with the person outsourcing.  
  
In freelancing, no cost is borne by employ.  
  
ers as for the most part no office space, medical facility or pension is provided. In theabsence of regular job facilities, taxing freelancers` income will lower their payment, which can hurt the incentive and distort the market.  
  
While there is no denying the government`s good intentions to facilitate the industry (building high-tech zones and tax holidays for corporations), the authorities have failed to make much headway. Simply waiting for the benefits to trickle down has never worked. If Pakistan plans inclusive, sustainable and youth-led economic growth, the authorities must consider the following.  
  
For starters, the government must actively eliminate all the barriers in the way of PayPal operations in Pakistan. The service is available in more than 200 countries in 25 currencies. If Zimbabwe, Rwanda and Uganda can manage to get PayPal, Pakistan has no excuse.  
  
Secondly, while it is naive to ask for tax exemptions, the government must recognise and incentivise individual freelancers (not just corporations) by providing a softer taxscheme to compensate for the anti-tech culture in the country. Until PayPal is made operational and household device ownership increased to at least 50pc, no new taxation on the sector should be considered. If the country`s rich can qualify for tax giveaways to the tune of a whop-ping Rs1.3 trillion a year, then the country can support its skilled youth too. Note that Bangladesh has already exempted tax on freelancing to promote the industry.  
  
Thirdly, the government should focus on spending less on brick-and-mortar projects which create silos and more on the software of the economy which includes retaining the best and brightest and utilising them for training people.  
  
Last but not the least, the government must facilitate the youth in finding their own opportunities. I am deliberately using the word `facilitate` and not `create` as our youth are perfectly capable of creating opportunities for themselves, unless there is interference. Some may argue that freelancing is a short-term gig but with the size of the demographic dividend of Pakistan, it can be a lifesaver for the economy and our youth. As Marx said: `There`s only one way to kill capitalism by taxes, taxes, and more taxes.` m The writer is a research fellow at IBA.  
  
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